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NOTES

CITY COMPETITION IN RAILROAD RATE MAKING

Investigation into the actual effect that the freight rates of railroads have upon the commerce of the United States, develops much evidence going to show that rivalry between the merchants of large cities is a potent rate-making force and also the source of much of the complaint current against the railroads. A most picturesque and instructive illustration along this line was found during the past year at Kansas City.

Upon entering the office of a conspicuous wholesale dry goods establishment and stating my errand to the senior member, that gentleman, with the alert and vigorous action that characterizes the progressive and successful American man of business, called in the junior members of the firm and the clerks in charge of traffic. He lined them up, introduced me seriatim, and announced my mission. He then waved his hand to a junior partner, saying with great emphasis, "You can tell him all about the freight rates of Kansas City. You can tell him what we have to contend against."

The junior partner with fervor asseverated that Kansas City was the place most discriminated against in the way of freight rates in the United States, that the railroads apparently had taken particular umbrage against the city, and that the shippers had endeavored to obtain relief without avail. He asserted that if the railroads would not listen to a final appeal, the citizens of Kansas City would rise en masse and secure their rights.

This was forcible, but not definite, and an attempt was made to ascertain just in what respects, upon what commodities, the freight rates bore oppressively. The gentleman soon admitted that he was talking about the dry goods business alone, that he was not informed as to the effects of the rates upon other merchandise. He also admitted that he was speaking only in regard to the wholesale dry goods business.

Further questioning elicited the nub of the grievance to be that the rate on freight of the first class—which includes dry goods—from New York to Kansas City was \$1.47, while from New York to St. Paul, a similar distance, the rate was but \$1.15. It was admitted that the wholesale merchants of St. Paul and Minneapolis

do not compete with the wholesale merchants of Kansas City, except perhaps in a very limited area where the sales are of small consequence. When it was asked what effect a reduction in the rate to Kansas City would have upon the price of merchandise of the first class, it was admitted that on cotton piece goods, for example, the reduction of 32 cents per one hundred pounds in the freight would make a difference of something like one-tenth of 1 per cent. of their value. When it was asked if the dry goods firm would give to the retail dealers the benefit of this reduction of one-tenth of 1 per cent., it was frankly admitted that they would not. It was admitted that the reduction in the rate of freight would not extend the area of their markets and would not increase the volume of sales. It would, however, make a difference of a great many dollars a year, several thousand perhaps, in the freight bills of the Kansas City wholesalers.

The railroads have repeatedly stated that the rate to St. Paul is forced by the cheaper water transportation of the lakes, their steamboats carrying vast quantities of merchandise from Buffalo to Duluth, whence it is carried by rail to St. Paul; and they state that the rate from New York to Kansas City in itself is not unreasonable. Further, it was shown that if the rate per mile on merchandise of the first class were made the same from New York to Kansas City, as from New York to Chicago or St. Louis, the wholesale dealers of Kansas City would have an advantage over the wholesale dealers of Chicago and St. Louis in much of the territory in which those three cities are active competitors. The railroads claim that the low rates per mile to Chicago and St. Louis are the result of years of strife between the railroads extending from the East to those cities; that they apply on traffic that moves from the East to these cities in greater volume than from either of these cities toward any one market to the west thereof; and that if the concession desired by Kansas City was granted, these rival cities would bring pressure to bear toward a reduction in their own rates that would restore their relative position to Kansas City, St. Louis having actually threatened in case the Kansas City reduction were made to bring her merchandise from New York by way of the Gulf of Mexico and the Mississippi River. The railroads also say that a reduction in the Kansas City rate would force a reduction in the rates to Omaha, to other cities on the Missouri River, and to the entire region to the west thereof;

that this would mean a total reduction in their revenues of hundreds of thousands of dollars a year which they cannot afford, and which moreover would inure to the benefit of no one but the wholesale dealers. The merchants—or some of them—of Kansas City insist that if the railroads can afford to carry one hundred pounds of dry goods for thirteen hundred and thirty-two miles to Minneapolis for \$1.15, they can afford to carry one hundred pounds of dry goods for thirteen hundred and forty-six miles to Kansas City for the same rate, and that that is all there is to it.

The merchants of Kansas City finally brought their complaint before the Interstate Commerce Commission, alleging the so-called discrimination in the rates between New York and St. Paul, and New York and Kansas City as its basis. At the formal hearing before the commission, were brought out the same points as in the conversation which has been described. The railroads presented in rejoinder the arguments that have been specified, stating, moreover, that the complainants had produced no evidence whatever to show that in any respect the rate to Kansas City was unreasonable. In this formal presentation to the Interstate Commerce Commission the merchants of Chicago have intervened, protesting against the concession being accorded to Kansas City.

It is quite evident that Kansas City wholesale merchants are seeking an advantage over their competitors in Chicago and St. Louis, the granting of which those competitors are resisting as vigorously as Kansas City in turn is resisting the growing ambition of Wichita and other cities to her west to conduct and extend a wholesale business.

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